
**REQUIRED
SUPPLEMENTARY INFORMATION**
(Other than Management's Discussion and Analysis)
(UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Revenues:				
Admissions tax.....	\$ 33,380	\$ 34,092	\$ 32,366	\$ (1,726)
Aircraft tax.....	3,579	3,328	2,833	(495)
Alcoholic liquors tax.....	44,058	50,138	45,189	(4,949)
Bank tax.....	20,224	9,572	12,635	3,063
Beer and wine tax.....	96,215	90,075	89,764	(311)
Business license tax.....	28,801	29,055	29,155	100
Coin-operated device tax.....	2,000	2,500	1,639	(861)
Corporation income tax.....	176,766	136,417	110,829	(25,588)
Corporation license tax.....	55,517	64,654	59,172	(5,482)
Departmental revenue (primarily grant revenues and fees for services).....	56,343	56,243	55,608	(635)
Documentary tax.....	38,656	31,061	33,155	2,094
Earned on investments.....	64,850	60,000	72,649	12,649
Electric power tax.....	23,896	24,293	23,034	(1,259)
Estate tax.....	52,038	61,665	63,622	1,957
Excise tax—casual sales.....	18,426	16,884	16,130	(754)
Fertilizer inspection tax.....	200	200	203	3
Gift tax.....	—	—	4	4
Individual income tax.....	2,353,989	2,091,653	1,920,137	(171,516)
Insurance tax.....	106,796	106,212	113,144	6,932
Miscellaneous sources.....	48,589	58,434	55,644	(2,790)
Motor transport fees.....	10	3	28	25
Motor vehicle licenses.....	49,228	56,385	50,974	(5,411)
Nonrecurring.....	62,455	62,455	87,503	25,048
Petroleum inspection tax.....	8,619	8,241	7,922	(319)
Private car lines tax.....	3,228	3,492	3,187	(305)
Public service assessment.....	—	—	53	53
Public Service Authority.....	9,494	9,825	10,315	490
Retail sales tax (4%).....	2,159,574	2,038,020	2,010,384	(27,636)
Retailers' license tax.....	936	806	866	60
Savings and loan association tax.....	1,893	2,368	4,267	1,899
Soft drinks tax.....	—	—	254	254
Workers' compensation insurance tax.....	10,103	9,028	10,934	1,906
Total revenues.....	5,529,863	5,117,099	4,923,599	(193,500)

REQUIRED SUPPLEMENTARY INFORMATION**Budgetary Comparison Schedule****BUDGETARY GENERAL FUND****For the Fiscal Year Ended June 30, 2002****(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Expenditures:				
Legislative.....	\$ 31,765	\$ 30,448	\$ 29,903	\$ 545
Judicial.....	41,506	39,858	39,324	534
Executive and administrative.....	349,473	161,444	146,103	15,341
Educational.....	2,961,226	2,825,198	2,794,375	30,823
Health.....	982,998	933,265	932,682	583
Social rehabilitation services.....	117,973	113,170	113,092	78
Correctional and public safety.....	502,155	491,664	491,572	92
Conservation, natural resources, and development.....	156,735	150,631	147,703	2,928
Regulatory.....	53,146	51,229	50,894	335
Transportation.....	1,882	1,849	1,849	—
Debt service.....	187,901	190,710	179,146	11,564
Miscellaneous.....	255,649	252,149	252,132	17
Total expenditures.....	5,642,409	5,241,615	5,178,775	62,840
Excess of expenditures over revenues.....	(112,546)	(124,516)	(255,176)	(130,660)
Budgetary fund balance at beginning of year.....	153,151	150,729	150,729	—
Budgetary fund balance at end of year.....	\$ 40,605	\$ 26,213	\$ (104,447)	\$ (130,660)

Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS

South Carolina's Appropriation Act, the State's legally adopted annual budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for:

General Funds. These funds are general operating funds. The resources in these funds are primarily taxes. The State expends General Funds to provide traditional State government services. The General Funds column in the Appropriation Act differs somewhat from the GAAP General Fund and is referred to within these notes and in the accompanying schedule as the *Budgetary General Fund*.

Total Funds. The Total Funds column in the Appropriation Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and Capital Project Fund activities but exclude all pension trust funds and some other fiduciary fund activities.

Although there are some perspective differences between the Budgetary General Fund and the GAAP General Fund, those differences do not prevent the State from preparing a budgetary comparison schedule for the Budgetary General Fund. In contrast, however, the State does not prepare separate budgets for its special revenue funds, and it is not possible to extract budgetary data for special revenue funds from the Appropriation Act. Accordingly the State is unable to present budgetary comparison schedules for any of its major special revenue funds.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule is prepared using the same terminology and classifications as the budget document. The accompanying schedule presents a fund balance section whereas the budget document does not present fund balances; in other respects, however, the format of the accompanying schedule is substantively the same as the format of the budget document.

NOTE 3: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended Budgetary General Fund appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- (i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 20.
- (ii) Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.
- (iii) The following taxes are recorded on the modified accrual basis: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, electric power tax, retail sales taxes, and soft drinks tax.
- (iv) All other revenues are recorded only when the State receives the related cash.

NOTE 4: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Act for the 2001-2002 fiscal year has approximately 2,900 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 5: BUDGETARY REVISIONS

Each year, the General Assembly enacts an Appropriation Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The original appropriations presented in the accompanying schedule include the amounts displayed in the Appropriation Act as well as any appropriations authorized to carry forward from the preceding fiscal year. Original estimated revenues in the accompanying schedule include amounts displayed in Section 71 (*Revenue*) of the Appropriation Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriation Act.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request, however, may exceed twenty percent of the program budget. In addition, the Budget and Control Board, composed of five key executive and legislative officials, has the authority to restrict transfers of appropriations between personal service and other operating accounts.

The Appropriation Act for the 2001-2002 fiscal year directs the Budget and Control Board to reduce the Budgetary General Fund's appropriations during the year if necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

Notes to the Required Supplementary Information--Budgetary

NOTE 6: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Educational expenditures in budgeted accounts aside from the General Fund exceeded appropriations by \$23.312 million at the legal level of control. Appropriations associated with the State's technical colleges are budgeted under the State Board for Technical and Comprehensive Education (the State Board). However, the sixteen colleges record the corresponding expenditures. Each college had sufficient budgetary-basis revenue and cash to provide for its budgetary-basis expenditures. To prevent an excess of expenditures over revenues in the future, the State Board plans to obtain updated expenditure estimates from the colleges during the fiscal year so that it can request additional spending authority to cover those expenditures.

because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. These differences (expressed in thousands) for the fiscal year ended June 30, 2002, were as follows:

	Actual Amounts
Excess of expenditures over revenues, Budgetary	
General Fund (budgetary basis).....	\$ (255,176)
Basis differences.....	(7,087)
Perspective differences.....	35,160
Entity differences.....	(173,791)
Net change in fund balance, GAAP General Fund.....	<u>\$ (400,894)</u>

NOTE 7: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedule compares the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Budgetary accounting principles, however, differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the excess of revenues and other sources of financial resources over (under) expenditures and other uses of financial resources. *Basis differences* arise

NOTE 8: NONRECURRING REVENUE

Most of the nonrecurring revenue for the fiscal year ended June 30, 2002, represented transfers from other funds that were recorded as revenues for budgetary purposes in the Budgetary General Fund. In addition, the General Assembly changed the reporting for the documentary tax to require that July 2002 collections be reported as revenue for the fiscal year ended June 30, 2002. The resulting extra month of collections during the fiscal year ended June 30, 2002, has been reported as nonrecurring revenue. The basis of budgeting for the documentary tax in future fiscal years will be modified accrual rather than cash.

REQUIRED SUPPLEMENTARY INFORMATION

National Guard Pension System

SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Biennial Actuarial Valuation Date June 30	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL As a Percentage of Covered Payroll ((b-a)/c)
1998	\$ 8,640	\$ 41,478	\$ 32,838	20.8%	\$ 40,333	81.4%
2000	11,089	43,427	32,338	25.5%	40,789	79.3%
2002	12,608	44,678	32,070	28.2%	45,711	70.2%

The unfunded actuarial accrued liability expressed as a percentage of covered payroll is a measure of the significance of the unfunded actuarial liability relative to the State's capacity to pay it. The funded ratio represents the assets expressed as a percentage of the actuarial accrued liability. The trend in those two ratios provides

information about whether the financial strength of the plan is improving or deteriorating over time. An improvement is indicated when the funded ratio is increasing and the ratio of the unfunded actuarial liability to active covered payroll is decreasing. The State Adjutant General's Office administers the plan.

REQUIRED SUPPLEMENTARY INFORMATION**National Guard Pension System****SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in Thousands)

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
1997	\$ 3,085	81.0%
1998	3,085	81.0%
1999	3,200	78.1%
2000	3,200	78.1%
2001	2,996	82.6%
2002	2,996	75.3%

The schedule of employer contributions provides information about the required contributions of the State and the extent to which those contributions are being made. The schedule gives an indication of the progress made in accumulating sufficient assets to pay benefits when

due. The State Adjutant General's Office administers the plan.

The information presented above was determined as part of the actuarial valuations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date.....	June 30, 2002
Actuarial cost method.....	Entry age normal
Amortization method.....	Level dollar, open
Remaining amortization period.....	30 years
Asset valuation method.....	Market
Actuarial assumptions:	
Investment rate of return.....	7.25%
Projected salary increases.....	Not applicable
Assumed inflation rate	4.25%
Assumed cost-of-living adjustments.....	Not applicable